Renosterberg Municipality
Trading as Renosterberg Municiplaity
Annual Financial Statements
for the year ended 30 June 2010

General Information

Legal form of entity	Renosterberg Municipality is a local Municiplaity performing the functionas as set out in the Constitution (ACt no 105 of 1996)
Nature of business and principal activities	The Municipality provides sustainable, effective and efficient municipla services
Mayoral committee	
Executive Mayor	Councillor AZ Jack
Councillors	Councillor A Kwinana
	Councillor M Hoffman
	Councillor H Lakay
	Councillor H Booysen
	Councillor H Hermanus
	Councillor Havenga
Grading of local authority	Grade 1 - Catergory B
Accounting Officer	Mr M Mtubu
Chief Finance Officer (CFO)	Ms NP Mvandaba
Technical Manager	Ms. NP Mqokozo
Admnistration Manager	Mr L Pula
Registered office	School Street Petrusville 8770
Postal address	Private Bag X112 Petrusville 8770
Bankers	Standard Bank Vissagie Street, Petrusville, 8770
Auditors	Auditor General - Kimberley

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
IDP	Intergrated Development Plan
SDBIP	Servise Delivery and Budget Implementation Plan
RM	Renosterberg Municipality

Accounting Officer's Responsibilities and Approval

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

I am resopnsible for the preparation of these annual financial statementrs, which are set out on page 1 to 53, in terms of the section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as desclosed in note 26 of these Annual Financial Statements are within the upper limits of the framework envisaged in section 219 of the constitution, read with Remuneration of Public Office Bearers Act and the Minister of the Provincial and Local Government's determination in accordance with this act.

Mzamo Mtubu

Report of the Auditor General

To the Provincial Legislature of Renosterberg Municipality

Report on the financial statements

This report will be inserted after the audit of the Annual Financial Statement

Auditor General - Kimberley

Statement of Financial Position

	Note(s)	2010 R	2009 R
Assets			
Current Assets			
Current portion of long term recievables		-	3,672
Trade and other receivables from non-exchange transactions	5	4,740,562	968,491
VAT receivable	12	1,506,013	2,718,521
Trade and other receivables from exchange transactions	4	20,614,642	2,884,172
Cash and cash equivalents	6	1,022,484	3,645,183
		27,883,701	**10,220,039**
Non-Current Assets			
Investment property	8	4,336,000	4,209,211
Property, plant and equipment	7	117,255,703	110,314,014
Intangible assets	9	908,183	-
		122,499,886	**114,523,225**
Non-Current Assets		122,499,886	114,523,225
Current Assets		27,883,701	10,220,039
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**150,383,587**	**124,743,264**
Liabilities			
Current Liabilities			
Finance lease obligation	10	215,285	68,553
Trade and other payables from exchange transactions	13	27,770,864	10,045,283
Consumer deposits	15	111,215	111,545
Unspent conditional grants and receipts	16	5,644,852	2,060,287
Provisions	14	64,111	34,821
Bank overdraft	6	2,129,344	-
		35,935,671	**12,320,489**
Non-Current Liabilities			
Finance lease obligation	10	-	218,527
Non-Current Liabilities		-	218,527
Current Liabilities		35,935,671	12,320,489
Liabilities of disposal groups		-	-
Total Liabilities		**35,935,671**	**12,539,016**
Assets		150,383,587	124,743,264
Liabilities		(35,935,671)	(12,539,016)
Net Assets		**114,447,916**	**112,204,248**
Net Assets			
Accumulated surplus		114,447,910	112,204,246

Statement of Financial Performance

	Note(s)	2010 R	2009 R
Revenue			
Property rates	21	1,901,283	1,133,234
Service charges	22	8,608,564	5,696,186
Rental of facilities and equipment		683,232	633,395
Interest received (outstanding debtors)		-	55,718
Income from agency services		-	75,817
Fines		3,500	18,215
Licences and permits		98,830	125
Government grants & subsidies	23	27,157,733	6,396,121
Other income	25	327,203	793,350
Other Subsidies		491,602	-
Interest received - investment	24	154,596	796,523
Total Revenue		**39,426,543**	**15,598,684**
Expenditure			
Personnel	26	(12,777,704)	(8,112,765)
Remuneration of councillors	27	(1,031,628)	(1,071,590)
TRF to working capital	28	-	(2,499,036)
Depreciation and amortisation	29	(2,871,196)	(1,741,194)
Finance costs	30	-	(25,958)
Debt impairment	31	(2,681,566)	(871,200)
Repairs and maintenance		(1,693,427)	(1,447,265)
Bulk purchases	32	(3,132,847)	(3,364,786)
Contracted services	33	-	(119,701)
Grants and subsidies paid	34	(2,069,515)	(2,413,868)
General Expenses	35	(11,516,547)	(3,986,899)
Total Expenditure		**(37,774,430)**	**(25,654,262)**
Transfers		9,976,364	(622,989)
Revenue		39,426,543	15,598,684
Expenditure		(37,774,430)	(25,654,262)
Other		9,976,364	(622,989)
Surplus (deficit) for the year		**11,628,477**	**(10,678,567)**

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2008	**122,882,813**	**122,882,813**
Changes in net assets		
Surplus for the year	(10,678,567)	(10,678,567)
Total changes	(10,678,567)	(10,678,567)
Balance at 01 July 2009	**102,819,433**	**102,819,433**
Changes in net assets		
Surplus for the year	11,628,477	11,628,477
Total changes	11,628,477	11,628,477
Balance at 30 June 2010	**114,447,910**	**114,447,910**

Note(s)

Cash flow statement

	Note(s)	2010 R	2009 R
Cash flows from operating activities			
Receipts			
Grants		27,157,733	7,869,361
Interest income		154,596	852,240
Other receipts		9,823,811	-
		37,136,140	8,721,601
Payments			
Employee costs		(12,777,704)	(8,112,465)
Suppliers		(14,649,394)	(7,319,176)
Finance costs		-	(25,958)
Other cash item		-	1,228,048
		(27,427,098)	(14,229,551)
Total receipts		37,136,140	8,721,601
Total payments		(27,427,098)	(14,229,551)
Net cash flows from operating activities	37	**9,709,042**	**(5,507,950)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(14,392,962)	(27,348,883)
Proceeds from sale of financial assets		3,672	(3,672)
Net cash flows from investing activities		**(14,389,290)**	**(27,352,555)**
Cash flows from financing activities			
Finance lease payments		(71,795)	38,197
Interest income		-	(239,774)
Net cash flows from financing activities		**(71,795)**	**(201,577)**
Net increase/(decrease) in cash and cash equivalents		**(4,752,043)**	**(33,062,082)**
Cash and cash equivalents at the beginning of the year		3,645,183	12,491,304
Cash and cash equivalents at the end of the year	6	**(1,106,860)**	**3,645,182**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

The standards are summarised as follows:

Standard of GRAP	
GRAP 1	Presentation of financial statements
GRAP 2	Cash flow statements
GRAP 3	Accounting policies, changes in accounting estimates and errors
GAMAP 4	The effects of changes in foreign exchange rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for investments in associates
GAMAP 8	Financial reporting of interests in joint ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, plant and equipment
GAMAP 19	Provisions, contingent liabilities and contingent asset

GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.

Accounting policies for material transactions, events or conditions not covered by the above GRAP and GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Presentation of currency

These annual financial statements are presented in South African Rand rounded off to the nearest Rand..

1.2 Going concern Assumption

Budget information in accordance with GRA1, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

These annual financial statements have been prepared on a going concern basis.

1.3 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

When the presentation or classification of items in the financial statement is amended, prior period comparative amount are restated, unless a standard GRAP does not require the restatement of comparative information. The nature and reason for the classification is diclosed. Where accounting arrors have been identofied in the current year, the correction is made restrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as is practicable, and the prior year comparitatives are restated accordingly.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

1.4 Investment property (continued)

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - land	indefinite
Property - buildings	30years

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the

Accounting Policies

1.5 Property, plant and equipment (continued)
obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Infrastructure	
• Roads and Paving	30
• Pedestrian Mall	30
• Electricity	20-30
• Water	15-20
• Sewerage	15-20
• Housing	30
Community	
• Buildings	30
• Recreational Facilities	20-30
• Security	5
• Halls	20-30
• Libraries	20-30
• Parks and gardens	15-20
• Other assets	15-20
Other property, plant and equipment	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipments	3-7
• Furniture and fittings	7-10
• Watercraft	15
• Bins and Containers	5

Accounting Policies

1.5 Property, plant and equipment (continued)

• Specialised plant and Equipment	10-15
• Other Plant and Equipment	2-5
• Landfill sites	15
• Quarries	25
• Emergency equipment	10
• Computer equipment	3
Heritage	No depreciation

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Transitional provision

The municipality changed its accounting policy for property, plant and equipment in 2010. The change in accounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure property, plant and equipment for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Property, plant and equipment. Property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 7. The transitional provision expires on 30 June 2012.

In accordance with the transitional provision as per Directive 2 of the GRAP Reporting Framework, where property, plant and equipment was acquired through a transfer of functions, the municipality is not required to measure that property, plant and equipment for a period of three years from the effective date of the transfer of functions or the effective date of the Standard, whichever is later. The municipality acquired a transfer(s) of function in 2010 and property, plant and equipment has accordingly been recognised at provisional amounts, as disclosed in 7.

Until such time as the measurement period expires and property, plant and equipment is recognised and measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment, the municipality need not comply with the Standards of GRAP on:

- Presentation of Financial Statements (GRAP 1),
- The Effects of Changes in Foreign Exchange Transactions (GRAP 4),
- Leases (GRAP 13),
- Segment Reporting (GRAP 18),
- Non-current Assets Held for Sale and Discontinued Operations (GRAP 100)

The exemption from applying the measurement requirements of the Standard of GRAP on Property, plant and equipment implies that any associated presentation and disclosure requirements need not be complied with for property, plant and equipment not measured in accordance with the requirements of the Standard of GRAP on Property, plant and equipment.

1.6 Intangible assets

1.6 Intangible assets (continued)

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial

1.7 Financial instruments (continued)
measurement of the instrument.

Subsequent measurement

Financial Assets are catergorised according t their nature as either financial assets at fair value through profit or loss, held to marturity investments, loans and receivables, or available for sale investments. Financial Liabilities are catergorised as either at fair value through profit or loss or financial liabilities carried at amortised cost (other). the subsequent measurement of financial assets and liabilities depends on this catergorisation and, in the absence of an approves GRAP Standard on Financial Instruments , is in accordance with IAS 39.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Financial instruments designated as at fair value through surplus or deficit

are financial assets that meet either of the following conditions: they are classified and held for trading]]

Financial instruments designated as available-for-sale

[are the financial assets that are designated as valuable for sale or are not classified as: Loans and Receivables]

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue)

Accounting Policies

1.7 Financial instruments (continued)
are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of contractual agreements entered into. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

1.7 Financial instruments (continued)

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:
- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Accounting Policies

1.8 Leases (continued)

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of non-cash-financial assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

1.10 Impairment of non-cash-financial assets (continued)
When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

1.11 Employee benefits (continued)

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The municipality does not prvide any post-retirement heath care benefits, housing subsidies and gratuties upon retirement to some retirees.

1.12 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

Accounting Policies

1.12 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.13 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.14 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.15 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.16 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Irregular expenditure

Irregular expenditure as defined in section 102 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Accounting Policies

1.17 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.18 Internal reserves

Capital replacement reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/(deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/(deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

Capitalisation reserve

On the implementation of GAMAP/GRAP, the balance of certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilised for the acquisition of items of property, plant and equipment, were transferred to a Capitalisation Reserve rather than the accumulated surplus/deficit, as in prior years, in terms of a directive (Circular No. 18) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus/deficit.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/deficit.

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/deficit.

Government grant reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/deficit to the Government Grants Reserve equal to the Government Grant recorded as revenue in the statement of financial performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/deficit. The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/deficit.

The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

Accounting Policies

1.18 Internal reserves (continued)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/deficit.

1.19 Revaluation reserve

1.20 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.21 Related paties

Individual as well as their close family members, or is a member of a key management and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or excersise significant influence over the other party in making financila and/or operating decesions. It includes full-time councillors, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee. Key Management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipla Manager or as designated by the Municipla Manager

1.22 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

1.23 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.24 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

1.25 Events after the reporting date

Recognised amount in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at he balance sheet date. Events after the balance sheet date are indicative of conditions that arose after the balance date are dealt with by way of a note to the financial statements

1.26 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return.

1.26 Impairment of cash-generating assets (continued)

When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.27 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

Notes to the Annual Financial Statements

	2010	2009
	R	R

2. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Notes to the Annual Financial Statements

3. New standards and interpretations

IAS 36 (AC 128) Impairment of Assets: Consequential amendments

Under certain circumstances, a dividend received from a controlled entity, associate or joint venture could be an indicator of impairment. This occurs when:

- Carrying amount of investment in separate financial statements is greater than carrying amount of investee's net assets including goodwill in consolidated financial statements or
- Dividend exceeds total comprehensive income of investee in period dividend is declared.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

IFRS 3 (AC 140) (Revised) Business Combinations

The revisions to IFRS 3 (AC 140) Business combinations require:

- Acquisition costs to be expensed.
- Non-controlling interest to either be calculated at fair value or at their proportionate share of the net identifiable assets of the acquiree.
- Contingent consideration to be included in the cost of the business combination without further adjustment to goodwill, apart from measurement period adjustments.
- All previous interests in the acquiree to be remeasured to fair value at acquisition date when control is achieved in stages, and for the fair value adjustments to be recognised in surplus or deficit.
- Goodwill to be measured as the difference between the acquisition date fair value of consideration paid, non-controlling interest and fair value of previous shareholding and the fair value of the net identifiable assets of the acquiree.
- The acquirer to reassess, at acquisition date, the classification of the net identifiable assets of the acquiree, except for leases and insurance contracts.
- Contingent liabilities of the acquiree to only be included in the net identifiable assets when there is a present obligation with respect to the contingent liability.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

IAS 12 (AC 102) Income Taxes – consequential amendments due to IAS 27 (AC 132) (Amended) Consolidated and Separate Financial Statements

The amendment is as a result of amendments to IAS 27 (AC 132) Consolidate and Separate Financial Statements. The amendment refers to situations where a controlled entity, on acquisition date, did not recognise a deferred tax asset in relation to deductible temporary differences, because, for example, there may not have been sufficient future taxable profits against which to utilise the deductible temporary differences. If the deferred tax asset subsequently becomes recognisable, the amendment now requires that the deferred tax asset should be recognised against goodwill (and surplus or deficit to the extent that it exceeds goodwill), only if it results from information in the measurement period about circumstances that existed at acquisition date. No adjustment may be made to goodwill for information outside of the measurement period.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 5 (AC 142) Non-current Assets Held for Sale and Discontinued Operations

The amendment clarifies that assets and liabilities of a controlled entity should be classified as held for sale if the parent is committed to a plan involving loss of control of the controlled entity, regardless of whether the municipality will retain a non-

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)
controlling interest after the sale.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

IAS 39 (AC 133) Financial Instruments: Recognition and Measurement - Amendments for eligible hedged items

The amendment provides clarification on two hedge accounting issues:
- Inflation in a financial hedged item and
- A one sided risk in a hedged item.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

Amendment to IAS 39 (AC 133) and IFRS 7 (AC 144): Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through surplus or deficit category if certain stringent conditions are met. It also permits an entity to transfer from the available-for-sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The municipality has adopted the amendment for the first time in the 2010 annual financial statements.

The impact of the amendment is set out in note 2 Changes in Accounting Policy.

GRAP 4: The Effects of Changes in Foreign Exchange Rates

The initial application of GRAP 4 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application on the initial adoption of the Standard except for the acquisition of foreign operations.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it is inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

cases, an entity shall expense those borrowing costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires that the Standard will only apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is set out in note 2 Changes in Accounting Policy.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IFRIC 9 (AC 442) Reassessment of Embedded Derivatives

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the municipality first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

The effective date of the interpretation is for years beginning on or after 01 June 2006.

The municipality expects to adopt the interpretation for the first time in the 2007 annual financial statements.

IFRIC 11 (AC 444) IFRS 2 - Group and Treasury Share Transactions

IFRIC 11 provides guidance on accounting for the following share-based payment transactions:
- Share-based payment involving an municipality's own equity instruments in which the municipality chooses or is required to buy its own equity instruments (treasury shares) to settle the share-based payment obligation should always be accounted for as equity-settled share-based payment transactions under IFRS 2 Share-based Payment.
- Where a parent grants rights to its equity instruments to employees of its controlled entity, the controlled entity must measure the services received using the requirements for equity-settled transactions in IFRS 2, and must recognise a corresponding increase in equity as a contribution from the parent.
- Where a controlled entity grants rights to equity instruments of its parent to its employees, the controlled entity accounts for the transaction as a cash-settled share-based payment transaction.

The effective date of the interpretation is for years beginning on or after 01 March 2007.

The municipality expects to adopt the interpretation for the first time in the 2008 annual financial statements.

IFRIC 12 (AC 445) Service Concession Arrangements

The interpretation addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services, such as schools and roads. The interpretation states that for arrangements falling within its scope (essentially those where the infrastructure assets are not controlled by the operator), the infrastructure assets are not recognised as property, plant and equipment of the operator. Rather, depending on the terms of the arrangement, the operator will recognise:
- A financial asset where the operator has an unconditional right to receive a specified amount of cash or other financial asset over the life of the arrangement, or
- An intangible asset where the operator’s future cash flows are not specified, for example where they will vary according to usage of the infrastructure asset, or
- Both a financial asset and an intangible asset where the operator’s return is provided partially by a financial asset and partially by an intangible asset.

The effective date of the interpretation is for years beginning on or after 01 January 2008.

The municipality expects to adopt the interpretation for the first time in the 2009 annual financial statements.

IFRIC 14 (AC 447) IAS 19 - The Limitation on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation addresses the limitation of a defined benefit asset in accordance with paragraph 58 of IAS 19 (AC 116) Employee Benefits. The interpretation provides guidance in the determination of the amount of economic benefits available in the form of refunds and reductions in future contributions, which will affect the maximum amount which may be measured as a defined benefit asset.

The effective date of the interpretation is for years beginning on or after 01 January 2008.

The municipality expects to adopt the interpretation for the first time in the 2009 annual financial statements.

IFRIC 13 (AC 446) Customer Loyalty Programmes

IFRIC 13 (AC 446) clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)
the customer is allocated between the components of the arrangement using fair values.

The effective date of the interpretation is for years beginning on or after 01 July 2008.

The municipality expects to adopt the interpretation for the first time in the 2008 annual financial statements.

IFRIC 16 (AC 449) Hedges of a Net Investment in a Foreign Operation

The interpretation deals with the following issues:

- Presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Any entity or entities within an economic entity can hold a hedging instrument in a hedge of a net investment in a foreign operation. The parent entity holding the net investment in a foreign operation therefore does not also have to hold the hedging instrument.
- How an entity should determine the amounts to be reclassified from equity to surplus or deficit for both the hedging instrument and the hedged item when the municipality disposes of the investment.
- IAS 39 (AC 133) Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to surplus or deficit from the foreign currency translation reserve in respect of the hedging instrument, and IAS 21 (AC 112) The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

The effective date of the interpretation is for years beginning on or after 01 October 2008.

The municipality expects to adopt the interpretation for the first time in the 2010 annual financial statements.

IFRIC 15 (AC 448) Agreements for the Construction of Real Estates

IFRIC 15 (AC 448) specifies whether an agreement for the construction of real estate is within the scope of IAS 11 (AC 109) Construction Contracts or IAS 18 (AC 111) Revenue, and thus impacts the related recognition of revenue. An agreement for the construction of real estate is a construction contract within the scope of IAS 11 (AC 109) only when the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. Revenue in such cases should be determined in accordance with the percentage of completion of the contract. In all other cases, IAS 18 (AC 111) applies. If IAS 18 (AC 111) applies and the municipality is required to provide the materials for the construction as well as carry out the construction activity, the supply represents the sale of goods. In such cases, revenue is recognised on delivery of the constructed asset. If the municipality is not required to provide materials, but only to construct the real estate, the supply is the rendering of services, and revenue should be recognised on the percentage of completion basis.

The effective date of the interpretation is for years beginning on or after 01 January 2009.

The municipality expects to adopt the interpretation for the first time in the 2010 annual financial statements.

IFRS 2 (AC 139) Amendment: IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations

The amendment clarifies that vesting conditions are only performance conditions or service conditions. All other conditions are non-vesting conditions. Non-vesting conditions are accounted for in the same manner as market conditions. It further clarifies that if either party can choose not to satisfy a non-vesting condition, then the arrangement is treated as a cancellation upon non fulfilment of that condition.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

IAS 32 (AC 125) Financial Instruments: Presentation and IAS 1 (AC 101) Presentation of Financial Statements Amendment: Puttable Financial Instruments and obligations Arising on Liquidation

The revision requires that certain puttable financial instruments and other instruments that impose on the municipality an obligation to deliver a pro rata share of the net assets of the municipality on liquidation should be classified as equity if certain conditions are met. Any classifications of such items are to be disclosed in the financial statements, together with information concerning the municipality's objectives and policies with regards to managing such obligations.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 January 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures

The amendment relates to changes in the Implementation Guidance of the Standard. 'Total interest income' was removed as a component of finance costs from paragraph IG13. This was to remove inconsistency with the requirement of IAS 1 (AC 101) Presentation of Financial Statements which precludes the offsetting of income and expenses.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 19 (AC 116) Employee Benefits

With regards to curtailments and negative past service costs clarification has been made that:

- When a plan amendment reduces benefits, the effect of the reduction for future service is a curtailment and the effect of any reduction for past service is a negative past service cost;
- Negative past service cost arises when a change in the benefits attributable to past service results in a reduction in the present value of the defined benefit obligation; and
- A curtailment may arise from a reduction in the extent to which future salary increases are linked to the benefits payable for past service.

The definition of 'return on plan assets' has also been amended to require the deduction of plan administration costs only to the extent that such costs have not been reflected in the actuarial assumptions used to measure the defined benefit obligation.

The term "fall due" in the definition of "short term employee benefits" has been replaced with "due to be settled"

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation; IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures

The amendment adjusted the disclosure requirements of investments in associates and interests in joint ventures which have been designated as at fair value through surplus or deficit or are classified as held for trading. The amendment provides that only certain specific disclosure requirements of IAS 28 (AC 110) Investments in Associates and IAS 31 (AC 119) Interests in Joint Ventures are required together with the disclosures of IFRS 7 (AC 144) Financial Instruments: Disclosures; IAS 32 (AC 125) Financial Instruments: Presentation.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

May 2008 Annual Improvements to IFRS's: Amendments to IAS 36 (AC 128) Impairment of Assets

The amendment requires disclosures of estimates used to determine the recoverable amount of cash-generating units containing goodwill or intangible assets with indefinite useful lives. Specifically, the following disclosures are required when discounted cash flows are used to estimate fair value less costs to sell:

- The period over which management has projected cash flows;
- The growth rate used to extrapolate cash flow projections; and
- The discount rate(s) applied to the cash flow projections.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 (AC 133) Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through surplus or deficit category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The municipality expects to adopt the amendment for the first time in the 2010 annual financial statements.

GRAP 6: Consolidated and Separate Financial Statements

GRAP 6 includes specific guidance on whether control exists and on power conditions to determine whether control exits in a public sector context – public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

GRAP 6 includes specific guidance and explanatory material on the accounting of special purpose entities adopted from SIC 12 – SA specific public sector amendment. Public sector entities need to consider impact of this guidance to determine whether an investment should be accounted for in accordance with GRAP 6.

The initial application of GRAP 6 will have no impact on the annual financial statements.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. For consolidated annual financial statements the result of initially adopting the Standard shall be recognised in the economic entity as an adjustment to the opening balance of accumulated surplus or deficit and comparative information need not be restated for the economic entity.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

GRAP 7: Investments in Associates

An associate is an entity in which the investor has significant influence and which is neither a controlled entity nor a joint venture of the investor.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies. The investor must exercise judgement in the context of all available information to determine if it has significant influence over an investee.

An investor accounts for investments in associates in the consolidated annual financial statements using the equity method.

The initial application of GRAP 7 will have no impact on the annual financial statements.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

GRAP 8: Interests in Joint Ventures

GRAP 8 uses a different definition for joint venture and joint control – contractual arrangement has been replaced by binding arrangement (public sector amendment) – public entities need to review current arrangements to determine whether they fall within the scope of GRAP 8 as a result of the public sector amendment.

Applying the definition of joint control as defined in this Standard may result in the identification of other entities that are also jointly controlled ventures in addition to those identified by complying with applicable legislation.

GRAP 8 incorporates guidance adopted from SIC13 on Non-monetary Contributions by ventures issued by the IASB i.e. provisions for accounting for non-monetary contributions to a jointly controlled entity in exchange for an equity interest in the jointly controlled entity that is accounted for using either the equity method or proportionate consolidation. (Par.57-62).

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, requires retrospective application of the Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard for separate annual financial statements. Any adjustments required to annual financial statements as a result of initially applying the equity or proportionate consolidation method shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit of the period in which the Standard is adopted. Comparative information need not be restated in these annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

GRAP 10: Financial Reporting in Hyperinflationary Economies

GRAP 10 includes additional guidance as adopted from Financial Reporting in Hyperinflationary Economies (IFRIC 7) on Applying the Restatement Approach.

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

The initial application of GRAP 4 will have no impact on the annual financial statements.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

GRAP 101: Agriculture

GRAP 101 excludes guidance on accounting for non-exchange revenue from government grants related to a biological asset as GRAP 23 on Revenue from Non-Exchange Transactions will provide such guidance.

Recognition requirement includes the concept of the probable flow of service potential.

Biological assets acquired at no or for a nominal value shall be measured on initial recognition and at each reporting date at its fair value less estimated point-of-sale costs.

Additional disclosure is required of biological assets for which the municipality’s use or capacity to sell is subject to restrictions imposed by regulations that have a significant impact on their total fair value less estimated point-of-sale costs.

In the reconciliation of changes in the carrying amount of biological assets between the beginning and the end of the current period it is also required to disclose increases or decreases due to transfers.

The following Directives also need to be considered:

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions requires retrospective application of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard initially adopted. Comparative information is not required to be restated on initial adoption of this Standard.

Directive 4 - Transitional provisions for medium and low capacity requires any adjustments required to the previous carrying amounts of assets and net assets shall be recognised as an adjustment to the opening balance of accumulated surplus or deficit in the period that the Standard is initially adopted. Comparative information is not required to be restated. Entities are not required to recognise biological assets and/or agricultural produce for reporting periods beginning on or after a date within three years following the date of initial adoption of this Standard.

The effective date of the standard is for years beginning on or after 01 April 2009.

The municipality expects to adopt the standard for the first time in the 2010 annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

4. Consumer debtors

	2010 R	2009 R
Gross balances		
Rates	1,903,870	1,233,734
Electricity	14,693,105	1,938,358
Water	2,939,536	3,875,965
Sewerage	1,138,989	1,004,804
Refuse	3,106,558	732,871
Other (specify)	102,507	35,776
	23,884,565	**8,821,508**
Less: Provision for debt impairment		
Rates	653,985	(5,937,336)
Electricity	653,983	-
Water	653,985	-
Sewerage	653,985	-
Refuse	653,985	-
	3,269,923	**(5,937,336)**
Net balance		
Rates	(1,366,053)	(4,703,602)
Electricity	14,693,105	1,938,358
Water	2,939,536	3,875,965
Sewerage	1,138,989	1,004,804
Refuse	3,106,558	732,871
Other (specify)	102,507	35,776
	20,614,642	**2,884,172**
Rates		
91 - 120 days	(1,366,053)	(4,703,602)
Electricity		
Current (0 -30 days)	275,514	356,453
31 - 60 days	-	195,420
61 - 90 days	-	128,698
91 - 120 days	-	1,257,787
121 - 365 days	14,417,591	-
	14,693,105	**1,938,358**
Water		
Current (0 -30 days)	87,927	120,829
31 - 60 days	355,090	171,537
61 - 90 days	106,227	565,513
91 - 120 days	2,390,292	3,018,086
	2,939,536	**3,875,965**
Sewerage		
Current (0 -30 days)	74,108	81,823
31 - 60 days	57,812	55,331
61 - 90 days	90,225	47,789
91 - 120 days	916,844	819,861
	1,138,989	**1,004,804**

Refuse

	2010 R	2009 R
4. Consumer debtors (continued)		
Current (0 -30 days)	52,428	50,539
31 - 60 days	34,143	41,258
61 - 90 days	59,134	36,511
91 - 120 days	2,960,853	604,563
	3,106,558	**732,871**
Other (specify)		
Current (0 -30 days)	-	4,625
31 - 60 days	4,439	3,925
61 - 90 days	2,786	2,900
91 - 120 days	5,253	24,326
121 - 365 days	14,020	-
> 365 days	76,009	-
	102,507	**35,776**
Reconciliation of debt impairment provision		
Balance at beginning of the year	(5,937,336)	(5,937,336)
Contributions to provision	2,681,566	-
Debt impairment written off against provision	(14,153)	-
	(3,269,923)	**(5,937,336)**

5. Trade and other receivables from non-exchange transactions

	2010 R	2009 R
Trade debtors	7,342	3,097
Payments in advance	-	12,764
Pay office suspense account	443,306	606,624
Interest accumulated	36,746	65,974
Expenditure suspense account	4,253,168	280,032
	4,740,562	**968,491**

6. Cash and cash equivalents

Cash and cash equivalents consist of:

	2010 R	2009 R
Cash on hand	1,440	1,440
Bank balances	-	464,727
Call investment deposits	1,021,044	3,179,016
Bank overdraft	(2,129,344)	-
	(1,106,860)	**3,645,183**
Current assets	1,022,484	3,645,183
Current liabilities	(2,129,344)	-
	(1,106,860)	**3,645,183**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2010	30 June 2009	30 June 2008	30 June 2010	30 June 2009	30 June 2008
Standard Bank: Housing Call account -048910953-001	19,250	18,809	-	-	-	-
Standarb Bank: EPWP Call account - 048910929-001	-	82,477	-	-	-	-
Standard Bank: V/K/ool Pypleiding- 048909025	134,560	127,671	-	-	-	-

Notes to the Annual Financial Statements

	2010 R	2009 R

6. Cash and cash equivalents (continued)

Standard Bank: MSIG - 048910910	437	163,483	-	-	-	-
Standard Bank: Money Market-0054487576	776,958	12,326	-	-	-	-
Standard Bank: Water - 048909505-001	212,990	519,458	-	-	-	-
Standard Bank: Droogtehulp - 0489101710-001	-	119,331	-	-	-	-
Srandard Bank: Renosterberg - 048909653.001	267,900	-	-	-	-	-
Standard Bank: MIG - 048910902-001	981,084	-	-	-	-	-
Standard Bank: Primary Account	288,300	-	-	-	-	-
Total	**2,681,479**	**1,043,555**	**-**	**-**	**-**	**-**

7. Property, plant and equipment

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	34,758,779	-	34,758,779	32,644,858	-	32,644,858
Furniture and fixtures	1,209,519	(375,215)	834,304	1,416,090	-	1,416,090
Motor vehicles	2,583,219	(510,610)	2,072,609	2,091,618	-	2,091,618
IT equipment	29,810	(19,873)	9,937	4,392	-	4,392
Infrastructure	59,151,718	(1,942,223)	57,209,495	45,533,618	-	45,533,618
Community	23,715,240	(1,344,661)	22,370,579	30,239,897	(79,117)	30,160,780
Other property, plant and equipment	-	-	-	-	(925,576)	(925,576)
Other equipment	-	-	-	-	(465,296)	(465,296)
Other leased Assets # 1	-	-	-	-	(146,470)	(146,470)
Total	**121,448,285**	**(4,192,582)**	**117,255,703**	**111,930,473**	**(1,616,459)**	**110,314,014**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Transfers	Other Movements	Depreciation	Total
Land	32,644,858	-	(2,246,721)	4,360,642	-	34,758,779
Furniture and fixtures	1,416,090	283,250	-	(711,015)	(154,021)	834,304
Motor vehicles	2,091,618	491,602	-	(176,145)	(334,466)	2,072,609
IT equipment	4,392	-	25,418	-	(19,873)	9,937
Infrastructure	45,533,618	13,618,110	414,188	(1,339,774)	(1,016,647)	57,209,495
Community	30,160,780	-	(170,174)	(6,445,540)	(1,174,487)	22,370,579
Other property, plant and equipment	(925,576)	-	925,576	-	-	-
Other equipment	(465,296)	-	-	465,296	-	-
Other leased Assets # 1	(146,470)	-	-	146,470	-	-
	110,314,014	**14,392,962**	**(1,051,713)**	**(3,700,066)**	**(2,699,494)**	**117,255,703**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Transfers	Other changes, movements	Total
Land	862,851	31,782,007	-	-	32,644,858
Furniture and fixtures	228,488	1,188,183	(581)	-	1,416,090

7. Property, plant and equipment (continued)

Motor vehicles	1,047,588	1,044,030	-	-	2,091,618
Office equipment	-	-	(8,764)	8,764	-
IT equipment	-	-	4,392	-	4,392
Infrastructure	19,535,784	24,658,059	-	1,339,775	45,533,618
Community	8,646,786	21,513,413	581	-	30,160,780
Other property, plant and equipment	4,392	-	(929,968)	-	(925,576)
Other equipment	(465,296)	-	-	-	(465,296)
Other leased Assets # 1	(146,470)	-	-	-	(146,470)
	29,714,123	**80,185,692**	**(934,340)**	**1,348,539**	**110,314,014**

The municipality opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in March 2009. The municipality did not recognize all the Investment Properties.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Refer Appendix B and C for more detail on property, plant and equipment.

8. Investment property

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	4,336,000	-	4,336,000	4,209,211	-	4,209,211

Reconciliation of investment property - 2010

	Opening balance	Other changes, movements	Total
Investment property	4,209,211	126,789	4,336,000

Reconciliation of investment property - 2009

	Opening balance	Additions	Depreciation	Total
Investment property	2,535,779	1,800,221	(126,789)	4,209,211

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Transitional provisions

Investment property recognised at provisional amounts

Exemptions taken according to Directive 4 – Transitional Provisions for Medium and Low Capacity Municipalities

9. Intangible assets

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	908,183	-	908,183	-	-	-

Reconciliation of intangible assets - 2010

Notes to the Annual Financial Statements

	2010 R	2009 R

9. Intangible assets (continued)

	Opening balance	Transfers	Total
Computer software, other	-	908,183	908,183

10. Finance lease obligation

	2010	2009
Non-current liabilities	-	218,527
Current liabilities	215,285	68,553
	215,285	**287,080**

11. VAT payable

12. VAT receivable

	2010	2009
VAT	1,506,013	2,718,521

13. Trade and other payables from exchange transactions

	2010	2009
Trade payables	1,308,958	100
Payments received in advanced - contract in process	66,656,740	1,997,672
Stale Cheques	232,778	232,778
Deposits received	8,013	5,531
Bank reconciliation suspense	3,447,417	1,764,167
Suspense	(49,725,398)	48,422
unknown deposits	5,842,356	5,996,613
	27,770,864	**10,045,283**

14. Provisions

Reconciliation of provisions - 2010

	Opening Balance	Additions	Total
Staff Leave	34,821	29,290	64,111

Reconciliation of provisions - 2009

	Opening Balance	Additions	Total
Staff Leave	-	34,821	34,821

Annual leave provision is based on the total number of leave days due on 30 June, at individual salary Values effective on the reporting date.(Nett movement on leave provision included in employee cost for the financial year under review)].

15. Consumer deposits

	2010	2009
Electricity	-	93,978
Water	111,215	17,567
	111,215	**111,545**

16. Unspent conditional grants and receipts

	2010 R	2009 R

16. Unspent conditional grants and receipts (continued)

See note 24 for reconciliation of grants from National/Provincial Government

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipality systems improvement grant	57,287	547,117
Dwarf fund	770,900	183,683
Housing fund	2,031,052	3,048
Water pipe line grant	92,682	110,176
Drought Relief	165,634	1,216,263
Municipal infustructure grant	1,928,078	-
EPWP Funds	276,767	-
Library Grant	(5,750)	-
Resort Grant	328,202	-
	5,644,852	**2,060,287**

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 24 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

17. Capital replacement reserve

Balance at the beginning of the year	(2,660,608)	(3,666,186)
Contribution received	(104,637)	(201,930)
Cash utilised to finace PPE	491,602	1,207,508
Balance at the end of the year	**(2,273,643)**	**(2,660,608)**

18. Capitalisation reserve

Balance at the beginning of the year	(10,244,888)	-
Write off/Transfer	634,132	-
Balance at the end of the year	**(9,610,756)**	**-**

19. Government grant reserve

Balance at the begining of the year	(39,854,100)	-
Write off/Transfer	2,509,990	-
Grants utilised to purchase PPE	(13,901,350)	-
Balance at the end of the year	**(51,245,460)**	**-**

20. Revenue

Property rates	1,901,283	1,133,234
Service charges	8,608,564	5,696,186
Rental of facilities & equipment	683,232	633,395
Income from agency services	-	75,817
Fines	3,500	18,215
Licences and permits	98,830	125
Government grants & subsidies	27,157,733	6,396,121

Notes to the Annual Financial Statements

	2010 R	2009 R

20. Revenue (continued)

	38,453,142	**13,953,093**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	8,608,564	5,696,186
Rental of facilities & equipment	683,232	633,395
Income from agency services	-	75,817
Licences and permits	98,830	125
	9,390,626	**6,405,523**

The amount included in revenue arising from non-exchange transactions is as follows:

Property rates	1,901,283	1,133,234
Fines	3,500	18,215
Government grants & subsidies	27,157,733	6,396,121
	29,062,516	**7,547,570**

21. Property rates

Rates received

Residential	1,901,283	1,133,234

Valuations

Property rates 1	-	49,402,900
Property rates 2	-	2,898,353
	-	**52,301,253**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The last valuation came into effect on 1 July 1996. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R 0.0096 is applied to property valuations to determine assessment rates. Rebates of 20% are granted to state property owners. Rates are levied on an annual basis with a final date of payment being 30 September. Interest at the existing rate is levied on outstanding rates. On application, residents may pay assessment rates on a monthly basis.

22. Service charges

Sale of electricity	4,176,418	1,415,297
Sale of water	2,406,035	2,880,981
Sewerage and sanitation charges	1,229,050	818,249
Refuse removal	779,494	575,785
Other service charges	17,567	5,874
	8,608,564	**5,696,186**

Notes to the Annual Financial Statements

	2010 R	2009 R

23. Government grants and subsidies

Equitable share	9,136,882	3,801,539
Finance management grant	750,000	1,498,579
Municipal system improvement grant	850,000	733,136
Expanded public works program	83,609	230,217
Library Development Fund	502,154	132,650
Housing Fund	2,011,802	-
Municipal Infrastructure Grant	3,951,755	-
DWAF	9,666,345	-
Other grant	205,186	-
	27,157,733	**6,396,121**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R106.00 which is funded from the grant.

Housing Fund'

Balance unspent at beginning of year	3,048	973
Current-year receipts	2,011,802	3,048
Conditions met - transferred to revenue	-	(973)
Conditions still need to be met	**2,014,850**	**3,048**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

MSIG

Balance unspent at beginning of year	547,117	523,177
Current-year receipts	850,000	766,676
Conditions met - transferred to revenue	(850,000)	(742,736)
Other	(547,117)	-
Conditions still need to be met	**-**	**547,117**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

MIG

Balance unspent at beginning of year	-	3,805,728
Current-year receipts	5,879,833	2,275,146
Conditions met - transferred to revenue	(3,951,755)	(6,080,874)
	1,928,078	**-**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

Ugrading of Water Pipe line Grants

Balance unspent at beginning of year	110,176	98,683
Current-year receipts	-	11,493

	2010 R	2009 R

23. Government grants and subsidies (continued)

Other	(17,494)	-
Condition still need to be met	**92,682**	**110,176**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

Drought Relief

Balance unspent at beginning of year	1,216,263	1,222,864
Current-year receipts	-	74,122
Conditions met - transferred to revenue	-	(80,723)
Other	(1,050,629)	-
	165,634	**1,216,263**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

DWAF Bulk Pipeline

Balance unspent at beginning of year	1,280,614	451,048
Current-year receipts	9,199,672	20,704,602
Conditions met - transferred to revenue	(9,709,386)	(20,971,967)
	770,900	**183,683**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

EPWP Grant

Balance unspent at beginning of year	82,477	-
Current-year receipts	1,133	-
Conditions met - transferred to revenue	(83,610)	-
	-	**-**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

Libray Grant

Current-year receipts	283,000	-
Conditions met - transferred to revenue	(288,750)	-
	(5,750)	**-**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

Resort Grant

Balance unspent at beginning of year	91,606	-
Current-year receipts	450,000	-

Notes to the Annual Financial Statements

	2010 R	2009 R

23. Government grants and subsidies (continued)

Conditions met - transferred to revenue	(213,404)	-
	328,202	**-**

Conditions still to be met - remain liabilities (see note 16)

Provide explanations of conditions still to be met and other relevant information

24. Investment revenue

Interest revenue

Bank	154,596	796,523
	-	-
	154,596	796,523

The amount included in Investment revenue arising from exchange transactions amounted to R -.

The amount included in Investment revenue arising from non-exchange transactions amounted to R -.

Total interest income, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

25. Other income

Sundry revenue	29,932	743,403
Clearence certificates	2,040	1,402
Photostats and faxes	4,627	8,902
Burial fees	591	3,262
Medical fees Petrusville	17,566	17,585
MTN	9,289	3,667
Re-connection fees	263,158	-
Hawker fees	-	53
Lost books	-	42
Sale of sand gravel and stone	-	2,457
Equipment rental	-	12,577
	327,203	**793,350**

Notes to the Annual Financial Statements

	2010 R	2009 R

26. Employee related costs

Basic	9,031,425	5,450,559
Bonus	613,164	326,709
Medical aid - company contributions	270,173	260,753
UIF	84,905	55,275
SDL	5,785	294
Leave pay provision charge	79,570	-
Post-employment benefits - Pension - Defined contribution plan	1,319,505	798,997
Travel, motor car, accommodation, subsistence and other allowances	296,088	283,418
Overtime payments	473,019	159,431
Housing benefits and allowances	14,328	14,328
Telephone allowance	2,400	2,400
Industrial council	3,293	3,183
Temporary workers	584,049	757,418
	12,777,704	**8,112,765**

Remuneration of municipal manager

Annual Remuneration	500,378	667,201
Car Allowance	87,910	-
Contributions to UIF, Medical and Pension Funds	114,958	-
Other	42,359	-
Other	7,930	-
	753,535	**667,201**

Remuneration of chief finance officer

Annual Remuneration	333,872	517,042
Car Allowance	96,000	-
Contributions to UIF, Medical and Pension Funds	82,283	-
Other	28,517	-
Other	8,334	-
	549,006	**517,042**

Remuneration of techinical manager

Annual Remuneration	336,619	68,627
Car Allowance	72,000	-
Contributions to UIF, Medical and Pension Funds	46,800	-
Other	14,347	-
Other	7,717	-
Other	300	-
	477,783	**68,627**

Corporate and human resources (corporate services)

Annual Remuneration	285,799	-
Car Allowance	40,178	-
Contributions to UIF, Medical and Pension Funds	82,974	-
Other	24,836	-
Other	4,023	-
Other	300	-
	438,110	**-**

27. Remuneration of councillors

Notes to the Annual Financial Statements

	2010 R	2009 R

27. Remuneration of councillors (continued)

Speaker	390,687	335,482
Councillors	702,828	607,552
	1,093,515	**943,034**

28. TRF to working capital

TRF to working capital	-	2,499,036

29. Depreciation and amortisation

Property, plant and equipment	2,871,196	1,741,194

30. Finance costs

Finance leases	-	25,958

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to Rxxx (PY: Rxxx).

31. Debt impairment

Contributions to debt impairment provision	2,681,566	871,200

32. Bulk purchases

Electricity	3,014,321	2,956,058
Water	118,526	408,728
	3,132,847	**3,364,786**

33. Contracted services

Other Contractors	-	119,701

34. Grants and subsidies paid

Other subsidies		
Financial management grant	206,274	276,289
Municipality Systems Improvement Grant	907,048	1,098,236
Expanded public works program	-	286,637
Other	-	119,406
Grants and donations	-	633,300
Indigent subsidy	956,193	-
	2,069,515	**2,413,868**
Grants paid to ME's	-	-
Other subsidies	2,069,515	2,413,868

Notes to the Annual Financial Statements

	2010 R	2009 R

35. General expenses

	2010 R	2009 R
Advertising	49,857	145,360
Auditors remuneration	335,100	661,057
Bank charges	109,304	107,799
Cleaning	155,319	206,186
Consulting and professional fees	56,327	28,456
Consumables	-	265
Entertainment	31,404	38,017
Insurance	299,350	353,826
Lease rentals on operating lease	312,497	184,423
Motor vehicle expenses	-	4,707
Fuel and oil	134,550	374,572
Postage and courier	21,811	20,825
Printing and stationery	101,099	143,862
Protective clothing	29,766	-
Subscriptions and membership fees	68,305	66,099
Telephone and fax	402,137	439,043
Training	5,285	-
Travel - local	428,551	392,596
Ingent subsidy	-	662,908
Title deed	80	181
Municipal sevices	38,022	40,452
Public participation	75,450	3,600
Capital expenditure	8,665,630	-
Chemicals	196,703	105,057
Other expenses	-	7,608
	11,516,547	**3,986,899**

36. Auditors' remuneration

	2010 R	2009 R
Fees	335,100	661,057

37. Cash generated from (used in) operations

	2010 R	2009 R
Surplus (deficit)	11,628,477	(10,678,567)
Adjustments for:		
Depreciation and amortisation	2,871,196	1,741,194
Finance costs - Finance leases	-	25,958
Interest income	-	239,774
Debt impairment	2,681,566	871,200
Movements in provisions	29,290	(30,950)
Trasfer from PPE	(1,051,713)	-
Oher movement from PPE	(3,700,066)	-
Proir year error	(1,087,925)	-
Changes in working capital:		
Trade and other receivables from non-exchange transactions	(3,772,071)	785,511
Consumer debtors	(20,412,036)	898,690
Trade and other payables from exchange transactions	17,725,581	8,238,198
VAT	1,212,508	(2,718,521)
Unspent conditional grants and receipts	3,584,565	(4,991,982)
Consumer deposits	(330)	111,545
	9,709,042	**(5,507,950)**

38. Commitments

39. Contingencies

Notes to the Annual Financial Statements

	2010 R	2009 R

40. Prior period errors

The correction of the error(s) results in adjustments as follows:

41. Comparative figures

Certain comparative figures have been reclassified.

42. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality .

43. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

44. Fruitless and wasteful expenditure

	2010 R	2009 R
Other 1	90,572	-

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Audit fees

PAYE and UIF

Pension and Medical Aid Deductions

VAT

	2010 R	2009 R
VAT receivable	1,506,013	2,718,521

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2010:

30 June 2010	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Clr IZ Kwinana	-	2,447	2,447
Councillor J Hermanus	-	11,740	11,740
Councillor JD Hanvenga	734	-	734
Councillor D lackay	-	6,507	6,507
Councillor M Hoffman	-	9,458	9,458
Councillor A Jack	281	-	281

Notes to the Annual Financial Statements

		2010 R	2009 R

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

	1,015	**30,152**	**31,167**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

46. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Buses and gym equipment were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. Tfhe reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

47. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2010 and 2009 respectively were as follows:

		2010 R	2009 R
Total borrowings			
Finance lease obligation	10	215,285	287,080
Less: Cash and cash equivalents	6	(1,106,860)	3,645,183
Net debt		1,322,145	(3,358,103)
Total equity		114,447,910	112,204,246
Total capital		**115,770,055**	**108,846,143**

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Notes to the Annual Financial Statements

Figures in Rand

48. Statement of comparative and actual information

2010

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance									
Property rates	2,286,727	2,286,727		2,286,727	1,901,283		385,444	83 %	83 %
Service charges	8,914,759	8,914,759		8,914,759	8,608,564		306,195	97 %	97 %
Investment revenue	820,000	820,000		820,000	154,596		665,404	19 %	19 %
Transfers recognised - operational	10,227,000	10,227,000		10,227,000	27,649,335		(17,422,335)	270 %	270 %
Other own revenue	2,329,445	2,329,445		2,329,445	13,194,122		(10,864,677)	566 %	566 %
Total revenue (excluding capital transfers and contributions)	**24,577,931**	**24,577,931**		**24,577,931**	**51,507,900**		**(26,929,969)**	**210 %**	**210 %**
Employee costs	(11,806,999)	(11,806,999)	-	(11,806,999)	(12,777,704)	-	970,705	108 %	108 %
Remuneration of councillors	(1,271,169)	(1,271,169)	-	(1,271,169)	(1,031,628)	-	(239,541)	81 %	81 %
Debt impairment	(200,000)	(200,000)		(200,000)	(2,681,566)	-	2,481,566	1,341 %	1,341 %
Depreciation and asset impairment	(250,000)	(250,000)		(250,000)	(2,871,196)	-	2,621,196	1,148 %	1,148 %
Materials and bulk purchases	(4,089,000)	(4,089,000)	-	(4,089,000)	(3,132,847)	-	(956,153)	77 %	77 %
Transfers and grants	(1,190,000)	(1,190,000)	-	(1,190,000)	(2,069,515)	-	879,515	174 %	174 %
Other expenditure	(10,835,831)	(10,835,831)	-	(10,835,831)	(15,314,967)	-	4,479,136	141 %	141 %
Total expenditure	**(29,642,999)**	**(29,642,999)**	**-**	**(29,642,999)**	**(39,879,423)**	**-**	**10,236,424**	**135 %**	**135 %**
Total revenue (excluding capital transfers and contributions)	24,577,931	24,577,931	-	24,577,931	51,507,900	-	(26,929,969)	210 %	210 %
Total expenditure	(29,642,999)	(29,642,999)	-	(29,642,999)	(39,879,423)	-	10,236,424	135 %	135 %
Surplus/(Deficit)	**(5,065,068)**	**(5,065,068)**		**(5,065,068)**	**11,628,477**		**(16,693,545)**	**(230)%**	**(230)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Surplus/(Deficit)	(5,065,068)	(5,065,068)	-	(5,065,068)	11,628,477	-	(16,693,545)	(230)%	(230)%
Surplus (Deficit) after capital transfers and contributions	(5,065,068)	(5,065,068)	-	(5,065,068)	11,628,477	-	(16,693,545)	(230)%	(230)%
Surplus/(Deficit) for the year	**(5,065,068)**	**(5,065,068)**		**(5,065,068)**	**11,628,477**		**(16,693,545)**	**(230)%**	**(230)%**

Notes to the Annual Financial Statements

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Virement (i.t.o.council approved)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources									
Total capital expenditure	-	-	-	-	13,769,365	-	(13,769,365)	DIV/0 %	DIV/0 %
Cash flows									
Net cash from (used) operating	-	-		-	9,709,042		(9,709,042)	DIV/0 %	DIV/0 %
Net cash from (used) investing	-	-		-	(14,389,290)		14,389,290	DIV/0 %	DIV/0 %
Net cash from (used) financing	-	-		-	(71,795)		71,795	DIV/0 %	DIV/0 %
Cash/cash equivalents at the year end	**-**	**-**		**-**	**(4,752,043)**		**4,752,043**	**DIV/0 %**	**DIV/0 %**

49. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus (deficit) per the statement of financial performance	11,628,477	(10,678,567)

50. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Total
Opening balance	2,660,608	10,244,888	39,854,100	52,759,596
Offsetting of depreciation	104,636	-	(2,509,990)	(2,405,354)
Transfer to capital replacement reserve	(491,602)	-	-	(491,602)
Property, plant and equipment purchases	-	(634,132)	-	(634,132)
Contribution to insurance reserve	-	-	13,901,350	13,901,350

Notes to the Annual Financial Statements

	2010 R	2009 R

50. Accumulated surplus (continued)

	2,273,642	**9,610,756**	**51,245,460**	**63,129,858**

Ring-fenced internal funds and reserves within accumulated surplus - 2009

	Capital replacement reserve	Capitalisation reserve	Government grant reserve	Total
Opening balance	3,666,186	10,789,528	13,701,095	28,156,809
Offsetting of depreciation	-	(544,640)	(708,989)	(1,253,629)
Property, plant and equipment purchases	(1,207,508)	-	-	(1,207,508)
Capital grants used to purchase property, plant and equipment	-	-	26,861,994	26,861,994
Other 1	201,930	-	-	201,930
	2,660,608	**10,244,888**	**39,854,100**	**52,759,596**

Renosterberg Municipality
Appendix A
June 2010

Schedule of external loans as at 30 June 2010

	Loan Number	Redeemable	Balance at 30 June 2009 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2010 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
Loan Stock			-	-	-	-	-	-
Structured loans			-	-	-	-	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability								
			-	215,285	-	215,285	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	-	-	-	-	-
			-	**215,285**	**-**	**215,285**	**-**	**-**
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-
Total external loans			**-**	**215,285**	**-**	**215,285**	**-**	**-**

Renosterberg Municipality
Renosterberg Municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	34,758,779	-	-	-	-	-	34,758,779	-	-	-	-	-	-	34,758,779
Landfill Sites (Separate for AFS pursoses)	-	3,328,168	-	-	-	-	3,328,168	-	-	-	-	-	-	3,328,168
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	34,758,779	**3,328,168**	**-**	**-**	**-**	**-**	**38,086,947**	**-**	**-**	**-**	**-**	**-**	**-**	**38,086,947**
Infrastructure														
Roads, Pavements & Bridges	1,764,375	623,587	-	-	-	-	2,387,962	(21,230)	-	-	(21,230)	-	(42,460)	2,345,502
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	1,963,617	-	-	-	-	-	1,963,617	(90,007)	-	-	(98,181)	-	(188,188)	1,775,429
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	36,585,494	9,666,345	-	-	-	-	46,251,839	(553,332)	-	-	(636,229)	-	(1,189,561)	45,062,278
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	5,220,133	-	-	-	-	-	5,220,133	(261,007)	-	-	(261,007)	-	(522,014)	4,698,119
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	45,533,619	**10,289,932**	**-**	**-**	**-**	**-**	**55,823,551**	**(925,576)**	**-**	**-**	**(1,016,647)**	**-**	**(1,942,223)**	**53,881,328**
Community Assets														
Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	3,626,740	-	-	-	-	-	3,626,740	(63,757)	-	-	(124,537)	-	(188,294)	3,438,446
Libraries	187,000	-	-	-	-	-	187,000	(5,468)	-	-	(9,350)	-	(14,818)	172,182
Recreational facilities	19,083,500	-	-	-	-	-	19,083,500	(77,030)	-	-	(999,700)	-	(1,076,730)	18,006,770
Clinics	514,500	-	-	-	-	-	514,500	(15,044)	-	-	(25,725)	-	(40,769)	473,731
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creches	303,500	-	-	-	-	-	303,500	(8,875)	-	-	(15,175)	-	(24,050)	279,450
	23,715,240	**-**	**-**	**-**	**-**	**-**	**23,715,240**	**(170,174)**	**-**	**-**	**(1,174,487)**	**-**	**(1,344,661)**	**22,370,579**

Renosterberg Municipality
Renosterberg Municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets														
General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	29,810	-	-	-	-	-	**29,810**	(9,937)	-	-	(9,937)	-	**(19,874)**	9,936
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	926,269	283,250	-	-	-	-	**1,209,519**	(221,194)	-	-	(154,021)	-	**(375,215)**	834,304
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor Vehicles	2,091,617	491,602	-	-	-	-	**2,583,219**	(176,144)	-	-	(334,466)	-	**(510,610)**	2,072,609
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	3,047,696	**774,852**	-	-	-	-	**3,822,548**	**(407,275)**	-	-	**(498,424)**	-	**(905,699)**	**2,916,849**
Total property plant and equipment														
Land and buildings	34,758,779	3,328,168	-	-	-	-	**38,086,947**	-	-	-	-	-	-	38,086,947
Infrastructure	45,533,619	10,289,932	-	-	-	-	**55,823,551**	(925,576)	-	-	(1,016,647)	-	**(1,942,223)**	53,881,328
Community Assets	23,715,240	-	-	-	-	-	**23,715,240**	(170,174)	-	-	(1,174,487)	-	**(1,344,661)**	22,370,579
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,047,696	774,852	-	-	-	-	**3,822,548**	(407,275)	-	-	(498,424)	-	**(905,699)**	2,916,849

Renosterberg Municipality
Renosterberg Municipality
Appendix B
June 2010

Analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	107,055,334	**14,392,952**	**-**	**-**	**-**	**-**	**121,448,286**	**(1,503,025)**	**-**	**-**	**(2,689,558)**	**-**	**(4,192,583)**	**117,255,703**
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Intangible assets														
Computers - software & programming	908	-	-	-	-	-	**908**	-	-	-	-	-	-	908
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	908	**-**	**-**	**-**	**-**	**-**	**908**	**-**	**-**	**-**	**-**	**-**	**-**	**908**
Investment properties														
Investment property	4,336	-	-	-	-	-	**4,336**	-	-	-	-	-	-	4,336
	4,336	**-**	**-**	**-**	**-**	**-**	**4,336**	**-**	**-**	**-**	**-**	**-**	**-**	**4,336**
Total														
Land and buildings	34,758,779	3,328,168	-	-	-	-	**38,086,947**	-	-	-	-	-	-	38,086,947
Infrastructure	45,533,619	10,289,932	-	-	-	-	**55,823,551**	(925,576)	-	-	(1,016,647)	-	**(1,942,223)**	53,881,328
Community Assets	23,715,240	-	-	-	-	-	**23,715,240**	(170,174)	-	-	(1,174,487)	-	**(1,344,661)**	22,370,579
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	3,047,696	774,852	-	-	-	-	**3,822,548**	(407,275)	-	-	(498,424)	-	**(905,699)**	2,916,849
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	908	-	-	-	-	-	**908**	-	-	-	-	-	-	908
Investment properties	4,336	-	-	-	-	-	**4,336**	-	-	-	-	-	-	4,336
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	107,060,578	**14,392,952**	**-**	**-**	**-**	**-**	**121,453,530**	**(1,503,025)**	**-**	**-**	**(2,689,558)**	**-**	**(4,192,583)**	**117,260,947**

Renosterberg Municipality
Appendix C
June 2010

Segmental analysis of property, plant and equipment as at 30 June 2010

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Finance & Admin/Finance	2,999,800	491,602	-	-	-	**-**	**3,491,402**	(176,144)	-	-	(516,103)	-	**(692,247)**	2,799,155
Planning and Development/Economic Development/Plan	43,774,421	-	-	-	-	**-**	**43,774,421**	(151,076)	-	-	(238,466)	-	**(389,542)**	43,384,879
Health/Clinics	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Comm. & Social/Libraries and archives	19,342,250	-	-	-	-	**-**	**19,342,250**	(79,118)	-	-	(1,026,800)	-	**(1,105,918)**	18,236,332
Housing	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Public Safety/Police	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Sport and Recreation	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Environmental Protection/Pollution Control	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
Waste Water Management/Sewerage	5,220,133	-	-	-	-	**-**	**5,220,133**	(261,007)	-	-	(261,007)	-	**(522,014)**	4,698,119
Road Transport/Roads	424,600	1,963,361	-	-	-	**-**	**2,387,961**	(21,230)	-	-	(21,230)	-	**(42,460)**	2,345,501
Water/Water Distribution	37,234,919	9,666,345	-	-	-	**-**	**46,901,264**	(724,443)	-	-	(709,465)	-	**(1,433,908)**	45,467,356
Electricity /Electricity Distribution	1,963,617	-	-	-	-	**-**	**1,963,617**	(90,007)	-	-	(98,181)	-	**(188,188)**	1,775,429
Other/Air Transport	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
	110,959,740	**12,121,308**	**-**	**-**	**-**	**-**	**123,081,048**	**(1,503,025)**	**-**	**-**	**(2,871,252)**	**-**	**(4,374,277)**	**118,706,771**
Total														
Municipality	110,959,740	12,121,308	-	-	-	**-**	**123,081,048**	(1,503,025)	-	-	(2,871,252)	-	**(4,374,277)**	118,706,771
Municipal Owned Entities	-	-	-	-	-	**-**	**-**	-	-	-	-	-	**-**	-
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	110,959,740	**12,121,308**	**-**	**-**	**-**	**-**	**123,081,048**	**(1,503,025)**	**-**	**-**	**(2,871,252)**	**-**	**(4,374,277)**	**118,706,771**

Renosterberg Municipality
Appendix D
June 2010

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
536,957	2,594,645	(2,057,688)	Executive & Council/Mayor and Council	81,313	3,103,063	(3,021,750)
7,577,774	8,376,718	(798,944)	Finance & Admin/Finance	12,998,372	6,712,700	6,285,672
153,261	1,974,603	(1,821,342)	Planning and Development/Economic Development/Plan	138,354	2,442,288	(2,303,934)
136,485	731,837	(595,352)	Comm. & Social/Libraries and archives	351,917	1,078,740	(726,823)
4,310,132	5,095,547	(785,415)	Waste Water Management/Sewerage	15,769,765	7,059,578	8,710,187
249,646	1,180,449	(930,803)	Road Transport/Roads	(2,490,623)	521,499	(3,012,122)
1,509,187	4,370,828	(2,861,641)	Electricity /Electricity Distribution	4,193,986	4,368,874	(174,888)
489,672	1,329,631	(839,959)	Other/Air Transport	495,232	2,104,946	(1,609,714)
14,963,114	**25,654,258**	**(10,691,144)**		**31,538,316**	**27,391,688**	**4,146,628**
			Municipal Owned Entities			
			Other charges			
14,963,114	25,654,258	(10,691,144)	Municipality	31,538,316	27,391,688	4,146,628
14,963,114	**25,654,258**	**(10,691,144)**	**Total**	**31,538,316**	**27,391,688**	**4,146,628**

Renosterberg Municipality
Appendix E(1)
June 2010

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2010 Act. Bal. Rand	Current year 2010 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	1,901,283	2,286,727	(385,444)	(16.9)	
Service charges	8,608,564	8,914,759	(306,195)	(3.4)	
Rental of facilities and equipment	683,233	1,242,800	(559,567)	(45.0)	
Interest received (trading)	-	280,000	(280,000)	(100.0)	
Income from agency services	-	-	-	-	
Fines	3,500	38,480	(34,980)	(90.9)	
Licences and permits	98,830	63,300	35,530	56.1	
Government grants & subsidies	27,157,734	10,227,000	16,930,734	165.5	
Other income	327,203	704,865	(377,662)	(53.6)	
Government grants	491,602	-	491,602	-	
Interest received - investment	154,596	820,000	(665,404)	(81.1)	
	39,426,545	24,577,931	14,848,614	60.4	
Expenses					
Personnel	(12,777,703)	(11,806,999)	(970,704)	8.2	
Remuneration of councillors	(1,031,628)	(1,271,169)	239,541	(18.8)	
Administration	-	-	-	-	
Depreciation	(2,871,196)	(250,000)	(2,621,196)	,048.5	
Finance costs	-	-	-	-	
Debt impairment	(2,681,566)	(200,000)	(2,481,566)	,240.8	
Repairs and maintenance - General	(1,693,427)	(1,297,000)	(396,427)	30.6	
Bulk purchases	(3,132,847)	(4,089,000)	956,153	(23.4)	
Contracted Services	-	-	-	-	
Grants and subsidies paid	(2,069,515)	(1,190,000)	(879,515)	73.9	
General Expenses	(11,516,545)	861,169	(12,377,714)	,437.3)	
	(37,774,427)	(19,242,999)	(18,531,428)	96.3	
Other revenue and costs					
Discontinued operations	9,976,364	(10,400,000)	20,376,364	(195.9)	
	9,976,364	(10,400,000)	20,376,364	(195.9)	
Net surplus/ (deficit) for the year	11,628,482	(5,065,068)	16,693,550	(329.6)	